

MINUTES – MAY 25, 2011

The Caswell County Board of Commissioners reconvened it's meeting at the Historic Courthouse in Yanceyville, North Carolina at 5:30 p.m. on Wednesday, May 25, 2011. Members present: Nathaniel Hall, Chairman, Kenneth D. Travis, Vice-Chairman, Erik D. Battle, William E. Carter, Jeremiah Jefferies, Cathy W. Lucas and Gordon G. Satterfield. Also present: Kevin B. Howard, County Manager, and Gwen Vaughn, Finance Director. Paula P. Seamster, Clerk to the Board, recorded the minutes.

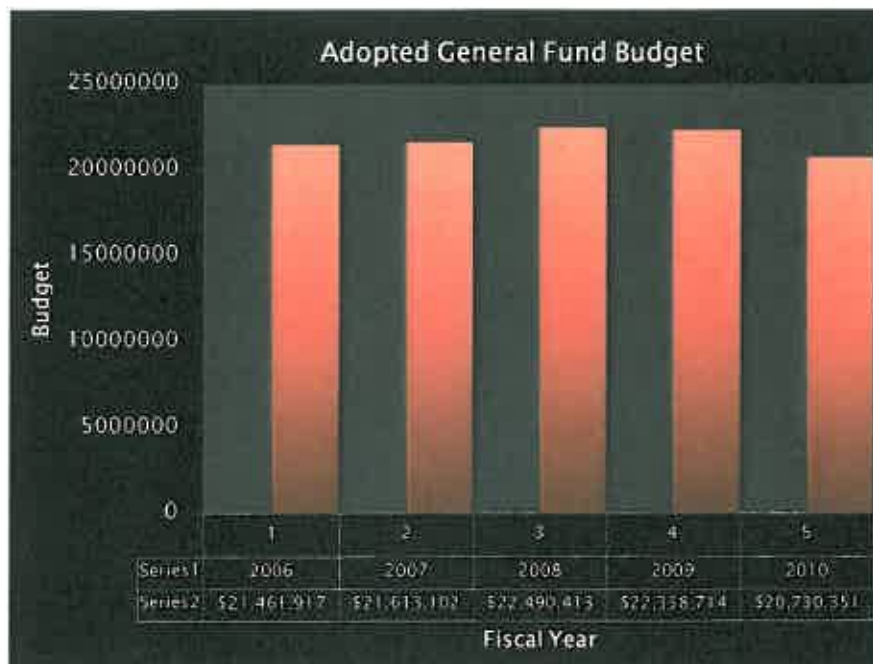
MOMENT OF SILENT PRAYER

Chairman Hall opened the meeting with a Moment of Silent Prayer.

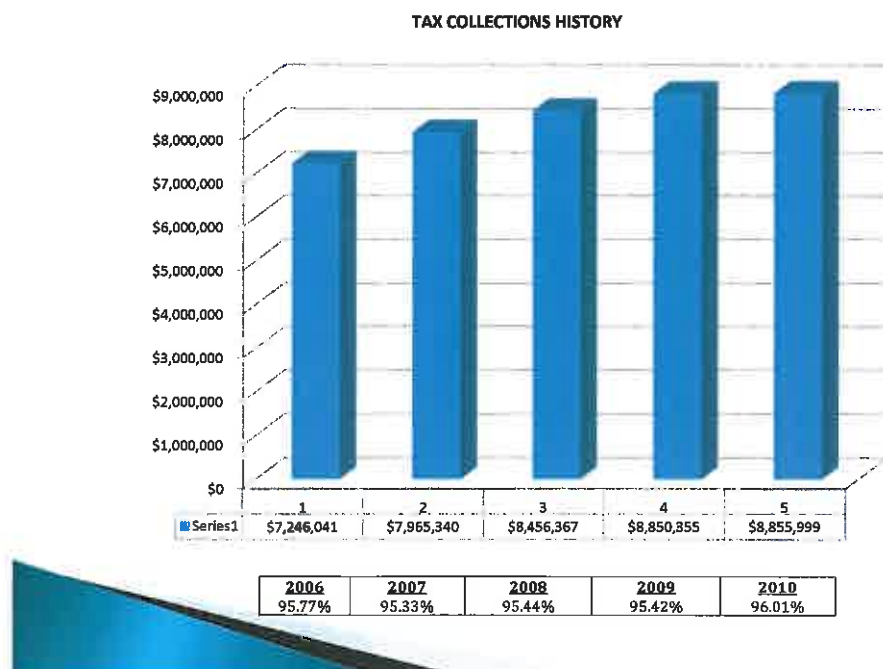
PROPOSED BUDGET FOR 2011 – 2012

Chairman Hall stated "The purpose of this meeting tonight is to have staff present us with the recommended budget for 2011-2012. They have an overview prepared for us. At the end of this overview we can ask questions and then we will decide how we want to move forward. There are two things that I would like to consider and I am sure that other commissioners want to be considered. We can talk about that as we move forward."

Ms. Gwen Vaughn, Finance Director, stated "We have some information about where we are currently, some history and what is in the new budget. First of all, this was the directive that we were given: no tax increase, no general fund – fund balance appropriation, no cost of living increase, no capital items. None of these things are in the budget. For our Adopted General Fund Budget we have the history here that shows five years of history. We have kind of maintained between twenty-one million and twenty-two million. In 2010 we dropped to twenty million seven thirty and 2011 we are at twenty million. Our projection is twenty million as well."



Ms. Vaughn continued “The Tax Collection History shows five years. You can see numbers one through five. In 2006 we collected seven million two hundred forty-six thousand forty-one (\$7,246,041.00) dollars and it has gradually increased up to 2010 with eight million eight hundred fifty-five thousand nine hundred and ninety-nine (\$8,855,999.00) dollars. As you can see the tax percentage that we used for the calculation has changed each year.”



Chairman Hall asked “Ms. Vaughn if I could ask a question. Our tax collections and our history and our revenues have gone up about a million dollars over the last five years but our budget has kind of remained static, why is that?” Ms. Vaughn responded “It is based on the dollar amount that is collected. We do the formula using the percentage that is from the prior year. So we always have to use the prior year’s percentage. It has remained steady because of the valuation. If the valuation goes up or down and if the percentage goes up or down, we do not have a steady across the board collection rate.” Chairman Hall continued “My question is this collection history is not necessarily our appropriation history? I was going to ask where we put the million dollars, but we did not necessarily appropriate these dollars.” Mr. Howard responded “It would have been appropriated because of the increase in expenses. Health care went up. A couple of those years we gave cost of living adjustments. Also when the recession went down the sales tax dollars went down. We had a slight increase in property taxes but our sales tax revenue went down. It is back up now. This may explain the differences.”

Commissioner Battle asked “What is the collection rate? So is it better to look at the actual monies collected or the actual percentage rate? Because if the previous year, let’s say, had 97% and the next I have 96% but I actually collected more money than last year, is there a reason to look at the rate? Is that the real number or not?” Ms. Vaughn responded “The percentage is actually, after our audit is done, it is based on the taxes overall, personal, vehicle and any other

ad valorem tax. So the percentage is based on that. We use that percentage basically to do the calculation for what we should budget for the upcoming year.”

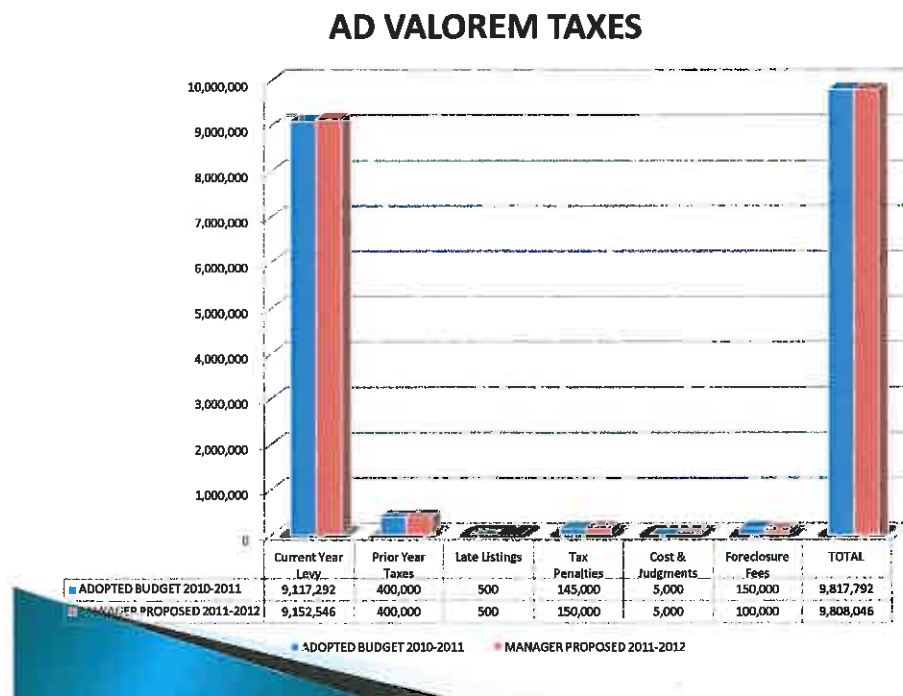
(At 5:35 p.m. Commissioner Carter entered the meeting).

Ms. Vaughn continued “This is the Current Fiscal Year 2010-2011. The Valuation is one billion four hundred forty-one million (\$1,441,000,000.00) dollars. The tax rate is 65.9. We budget collections at nine million one hundred seventeen thousand two hundred ninety-two (\$9,117,292.00) dollars. The value of One Cent is one hundred thirty-eight thousand three hundred fifty (\$138,350.00) dollars. We used the collection rate of 96.01. The increase was three hundred sixty-six thousand four hundred ninety-six (\$366,496.00) dollars from the prior year of 2009-2010. We actually had a reduction in valuation. We had an increase in what our gain was but there was a reduction in valuation by seventeen million (\$17,000,000.00) dollars from the previous year. We had an increase in the collection rate by 0.59% and we gained in revenue by three hundred sixty-six four hundred ninety-six (\$366,496.00) dollars.” Chairman Hall asked “How did we have a reduction in valuation?” Mr. Howard responded “You raised taxes by three cents that is how you gained in revenue.” Chairman Hall continued “How did we have a reduction in valuation when we did not do a reval this year?” Ms. Vaughn responded “The valuation comes directly from the tax director. He gives me the value for the property tax as well as the real value of property tax, utilities and motor vehicles. That total is what we use as the valuation rate.” Mr. Howard added “That is the reason for the increase. We had a slight increase in the utilities.” Commissioner Jefferies stated “I think we had about forty thousand or forty-two thousand dollars in land use last year that was lost or wrote off.” Mr. Howard responded “That was the reason for the increase.” Commissioner Jefferies continued “I guess this will bring some of this back to this year.” Chairman Hall responded “If I recall a big portion of that was utilities last year.” Commissioner Satterfield responded “That is right. The state reduced the utilities throughout the state. It was a big decrease.” Chairman Hall added “I talked with the folks in Raleigh that does the work up and a big part on how they compute our value on utilities has to do with sales. I am thinking property taxes because I know we did not lose any utilities in the county but the sales dropped especially with telephone companies. There was a massive drop in telephone usage because people are using cell phones.” Commissioner Satterfield stated “The value of the property was decreased by the state Mr. Chairman. That is what I understood. Last year the Utility Commission devalued the properties of the power plants and the whole infrastructure. That is what I read but I may have misunderstood.” Mr. Howard stated “It was statewide.” Chairman Hall stated “It probably did but I just remember talking to one of the individuals in Raleigh about Caswell County in general.” Mr. Howard stated “If their values are based on our valuation percentage the state can arbitrarily reduce it.” Commissioner Lucas stated “Chairman Hall just so I will be clear. For this current fiscal year our valuation is down seventeen million (\$17,000,000.00) dollars?” Mr. Howard responded “From the current fiscal year.” Chairman Hall added “We will not know until around May or June or maybe even July what that valuation will be for next year.” Ms. Vaughn added “We have an estimate now but it will be the middle of June before we will know for sure.”

Ms. Vaughn continued “The Upcoming Fiscal Year for 2011-2012 we have a valuation of one billion four hundred fifty million five hundred thousand (\$1,450,500,000.00) dollars. We have the same tax rate at 65.9. The calculated collections we have in the budget is nine million one

hundred fifty-two thousand five hundred forty-six (\$9,152,546.00) dollars. The value of one cent is one hundred thirty-eight thousand eight hundred eighty-five (\$138,885.00) dollars. We are using the collection rate of 95.75%. We are having just a small increase over the current fiscal year of thirty-five thousand two hundred fifty-four (\$35,254.00) dollars. We had an increase in valuation nine million five hundred thousand (\$9,500,000.00) dollars. A change in the collection rate decreased by 0.26% and a gain in revenue of thirty-five thousand two hundred fifty-four (\$35,254.00) dollars. The revenues for the current year are performing as projected. We projected very conservatively. The county levy represents about forty-four (44%) percent of the unrestricted revenue for the general fund. Currently based on what we have in our budget we are at 98% for collections as of April 30th. We are hoping that this will increase to 100% and bring the collection to \$9.1M.”

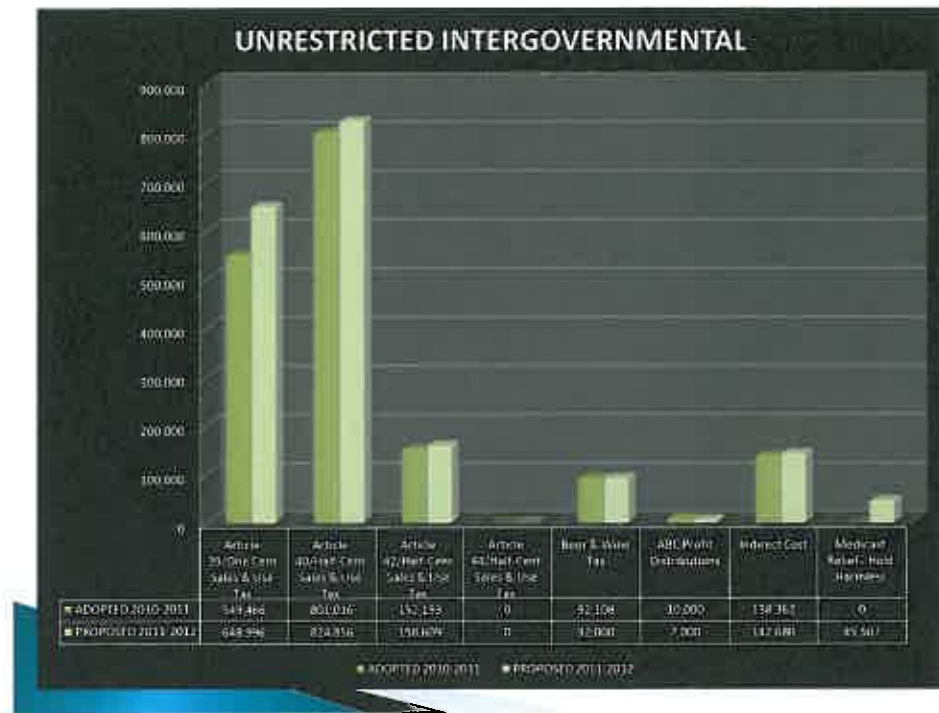
Ms Vaughn stated “This is the history of the Ad Valorem Taxes. The blue is our adopted 2010-2011 budget, our current budget. The red is the Manager’s Proposed budget which is in the 2011-2012 budget.”



Ms. Vaughn continued “The tax levy is just over thirty-five thousand (\$35,000.00) dollars. Our prior year taxes we are not increasing that. We are projecting it at four hundred thousand. Our late listing we are projecting the same. In penalties we are increasing just slightly based on what we see currently. The cost and judgment at five thousand. The foreclosure fees we reduced that down to one hundred thousand. That will give you a total of nine million eight hundred eight thousand forty-six (\$9,808,046.00) dollars.”

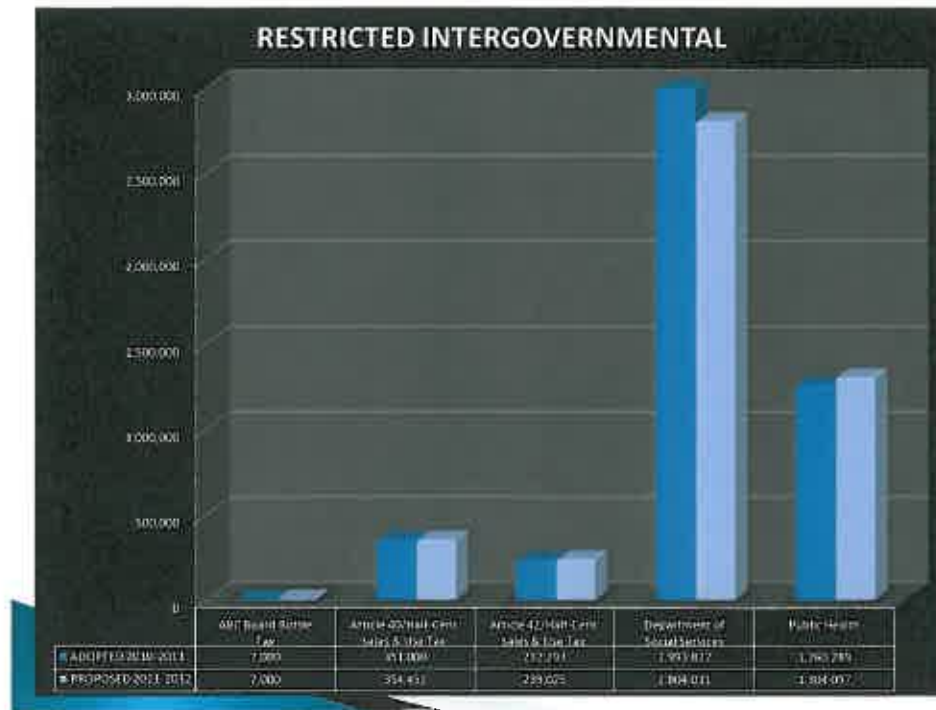
Ms. Vaughn stated “The Unrestricted Intergovernmental includes Article 39, Article 40, Article 42, Article 44 Sales and Use tax. It also includes the beer and wine tax, the ABC profit distributions, Indirect Cost and our Medicaid Hold Harmless. If you will notice we increased the

sales tax just slightly between two and four percent. We did not budget any Article 44. We have reduced the ABC Board profits. We increased the Indirect Cost slightly. We budgeted Medicaid Hold Harmless at forty-five thousand five hundred and seven (\$45,507.00) dollars based on the projection from the state. This year we are expecting to receive just over twenty-one thousand and this has not been appropriated in the current budget yet because we have not received it.”



Chairman Hall asked “The twenty-one thousand is for what?” Ms. Vaughn responded “The twenty-one thousand is for the Medicaid relief Hold Harmless. The projection is just over twenty-one but it has not been appropriated yet in the 2010-2011 Budget.” Chairman Hall added “Before we go any further I received a letter and I need to give it to Kevin and you concerning the EMS Medicaid. Did you receive any money from them?” Mr. Howard responded “Yes.” Chairman Hall continued “Was it more or less than what we anticipated?” Ms. Vaughn responded “It was about fifty-three thousand (\$53,000.00) dollars less.” Chairman Hall stated “We will have to get into that later. What we are talking about is we get a Medicaid reimbursement for EMS based on what they do. There is a proposal in legislature right now to change the way that everybody is being reimbursed for EMS. I don’t know what the impact is going to be but if we go less this year than what we budgeted then we really need to take a look at that.” Mr. Howard stated “The amount we budgeted was based on the number that we received from the Association.”

Ms. Vaughn stated “The Restricted Intergovernmental is the ABC Board Bottle tax and that is in turn sent to the LME, Article 40/42 restricted for school capital reserves. It also includes DSS and Public Health restricted funding. As you can see we almost have the same across the board except for DSS which is down by almost a hundred thousand and Public Health is increased.”

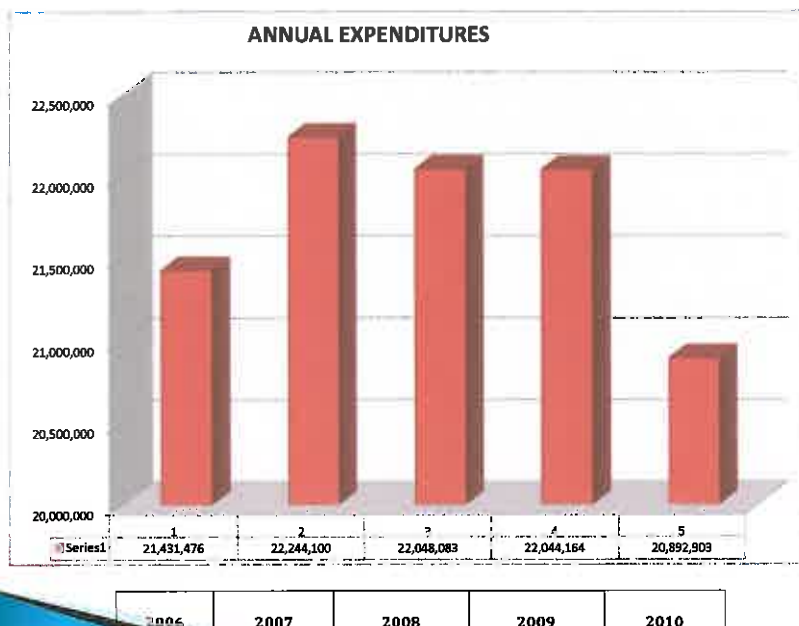


Chairman Hall asked "So that decreased with DSS is a projected number we got from whom?" Ms. Vaughn responded "We got that projected number from the DSS Director and she was advised by her state liaison." Chairman Hall continued "So we are looking at a hundred and eighty or ninety thousand." Ms. Vaughn responded "That is due to programs being cut and the reimbursement rate being reduced." Chairman Hall stated "Before we go forward let me go back to the ABC Board. We reduced the ABC Board distribution?" Ms. Vaughn responded "It is at seven thousand and we are mostly right at seven thousand about every year." Mr. Howard added "This is the bottle tax here. It was reduced from ten thousand to seven thousand." Chairman Hall asked "What is going on with them?" Mr. Howard responded "I can't tell you that right off the top of my head. It is based on what we received this year and what our budget said last year." Commissioner Lucas asked "Is it not showing a loss in the budget for ABC profits. \$33.56 is what I was looking at for ABC profits, down from last year of \$14,935.00." Ms. Vaughn responded "There is a journal entry for the end of the year audit and that needs to be reversed. I think it is over seven thousand dollars that needs to be a reversal. That would bring it out of a negative into a positive." Commissioner Lucas asked "So far as their revenue for the year it would be plus the seven thousand, is that what you are saying in April of this year?" Ms. Vaughn responded "It should be but I will double check on that. I am making a note." Commissioner Lucas added "It caught my attention because it was in the negative." Ms. Vaughn responded "I noticed that too I just did not have time to change it."

Ms. Vaughn stated "Our Permits, Fees, Sales and Services. If you will notice the Permits are almost the same. They are increased only by one hundred dollars from 2010-2011 to 2011-2012. The sales and service were reduced based on the Register of Deeds sluggish sales, Building Inspections. Those are the two highest that would reduce that."

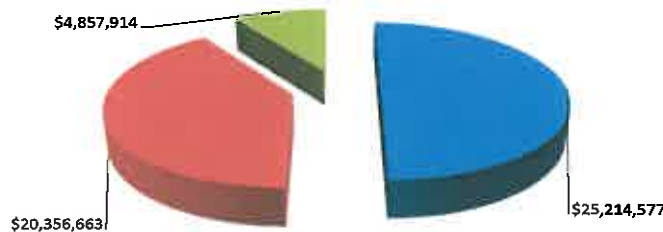


Ms. Vaughn stated “The Annual Expenditures are showing for five years. You can see that our annual expenditures are basically in line with what we budgeted for the year give or take. In 2006 we were at twenty-one million and we stayed kind of steady and in 2010 we dropped down to twenty million basically because of the economy.”



Ms. Vaughn continued “The Proposed Budget has a total recommended budget of twenty-five million two hundred fourteen thousand five hundred seventy-seven (\$25,214,577.00) dollars. The General Fund is twenty million three hundred fifty-six thousand six hundred sixty-three (\$20,356,663.00) dollars. The other funds are just under five million dollars.”

2011-2012 PROPOSED BUDGET



\$25,214,577	Total Recommended Budget
\$20,356,663	General Fund
\$ 4,857,914	Other Funds

Ms. Vaughn stated “By Function. General Fund is \$2.3 million. Public Safety - \$3.277. Emergency Service - \$1.178. Economic Development – two hundred fourteen thousand. Human Services – seven million three hundred thirty thousand dollars. Cultural and Recreational Service – two hundred fourteen thousand. Regional Agencies – one hundred twenty-two thousand. Special Appropriations – two hundred twenty-two thousand. Public Education – three million one hundred sixty-nine thousand. Our Debt Service at one million one hundred fifty-two thousand. School Capital Reserve – six hundred eighteen thousand. State and federal grants – one hundred five thousand. Our Transfers to other funds – two hundred eighty-six thousand. We do not have any contingency funds in the budget.”

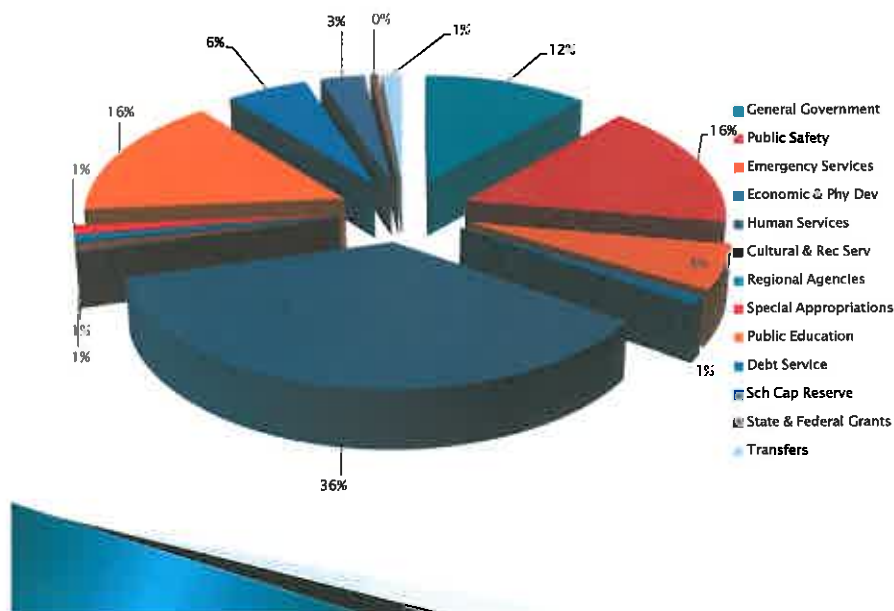
2011-2012 BY FUNCTION

▶ General Government	\$2,347,838
▶ Public Safety	\$3,277,486
▶ Emergency Services	\$1,178,107
▶ Economic & Phy Dev	\$214,418
▶ Human Services	\$7,330,826
▶ Cultural & Rec Serv	\$245,093
▶ Regional Agencies	\$122,061
▶ Special Appropriations	\$222,358
▶ Public Education	\$3,169,266
▶ Debt Service	\$1,152,561
▶ Sch Cap Reserve	\$618,477
▶ State & Federal Grants	\$105,716
▶ Transfers	\$286,142

Commissioner Lucas asked “What are the Transfers? The two eighty-six one forty-two?” Ms. Vaughn responded “That is the fund we have for the Library and the funds that we have for reval.” Commissioner Lucas asked “Can we get a list of just what they are? If you have one. I think it is in here broken down.” Ms. Vaughn responded “It is behind Section eleven (11) on page eight (8).” Commissioner Lucas asked “Under Debt Service?” Ms. Vaughn responded “Debt Service is also in the front part of that. It is behind Debt Service.” Commissioner Lucas stated “Contributions to other funds.” Ms. Vaughn stated “That would be Library, Local Law Enforcement Special Separation. We have the Fire and Rescue Operations to receive some, and Reval and Family Services.”

Ms. Vaughn stated “Our Expenditure by Function, as you can see, the highest one there is at thirty-six (36%) percent which is Human Services.”

EXPENDITURES BY FUNCTION



Ms. Vaughn continued “This budget does not include any capital requests but we do have a list of them. The Tax Department requested a Matrix line printer at eighteen thousand (\$18,000.00) dollars. He said this printer is one that he needs but he has one that is still working. It is still in operation but he still put it in his budget just in case he needed it. Maintenance requested the HVAC for the Library at thirty-one thousand seven hundred twenty (\$31,720.00) dollars. Maintenance also requested renovation at Guilford Mills so that Maintenance can move their department to Guilford Mill at thirty thousand (\$30,000.00) dollars. The Sheriff’s Department requested six vehicles at one hundred sixty-six thousand two hundred (\$166,200.00) dollars. Emergency Management requested a vehicle for twenty-four thousand (\$24,000.00) dollars. Emergency Medical Services requested a new ambulance for one hundred seventy thousand (\$170,000.00) dollars and also an ambulance remount at one hundred ten thousand (\$110,000.00) dollars.”

Commissioner Battle asked "What kind of vehicle for Emergency Management?" Ms. Vaughn responded "He did not specifically say what kind." Mr. Howard added "They have an old Chevrolet Caprice that is on its last leg."

Commissioner Carter asked "I know they have that Chevrolet Caprice but I have two questions. What do they use it for because I know they have that EMS truck?" Mr. Howard responded "The EMS truck is used more for responding to calls. The other vehicle is used for Emergency Management to attend trainings." Commissioner Carter continued "Couldn't they, instead of buying a new vehicle, couldn't they get a highway patrol car? I know the Sheriff can get them for five or six thousand dollars. That would be a whole lot cheaper than twenty-four."

Commissioner Lucas stated "He did specify in the budget that he would like to have a replacement with either a Tahoe or a Dodge Charger for the Caprice but from State Surplus. It was in there and he would like to finance it for three to five years so he could keep the other car for Emergency Management."

Ms. Vaughn stated "Personnel Request. We had one from Elections for a Deputy Director. Building Inspections requested a Full time Inspector. He has a part-time inspector that he would like to move to full time. EMS requested three full time positions. Parks & Rec requested a full time clerical position that is currently part time to move to full time."

Commissioner Carter stated "I don't know because I have not talked to the Sheriff but I know that the contract between him and the Town. The Town is going to request that he turn over all the equipment and vehicles that they gave to the Sheriff. That would make us four vehicles short. Do you know anything about that?" Mr. Howard responded "The Sheriff did mention that he knew about this but there has not been a formal request." Chairman Hall asked "Did everyone hear what Commissioner Carter said?" Commissioner Jefferies responded "I understand he said the Town is requesting the vehicles and stuff back." Mr. Howard added "The ones that came when they transferred it over to us." Commissioner Carter stated "The reason I am saying that is Mayor Davis told me this directly that they were going to request all the equipment that was given to the county be given back to the Town. If that did happen that would make the Sheriff's Department four cars short." Commissioner Satterfield asked "Did they give the county four cars or two?" Mr. Howard responded "I am not sure. I think it was three." Commissioner Carter stated "That is just something that you might want to check into."

Ms. Vaughn stated "The Cost of Living Increase is not included in the Budget. This is for general fund only. From 1% up to 3%. This would be the salary plus FICA and retirement."

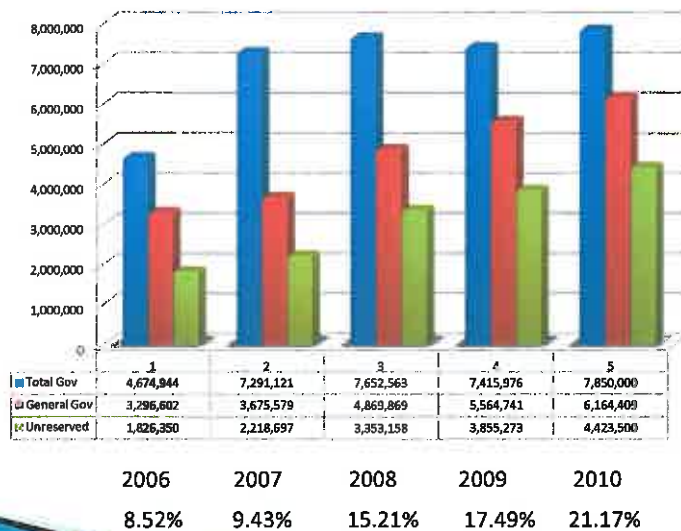
COST OF LIVING INCREASE

1.0%	\$72,884
1.5%	\$109,326
2.0%	\$145,767
2.5%	\$182,210
3.0%	\$218,652



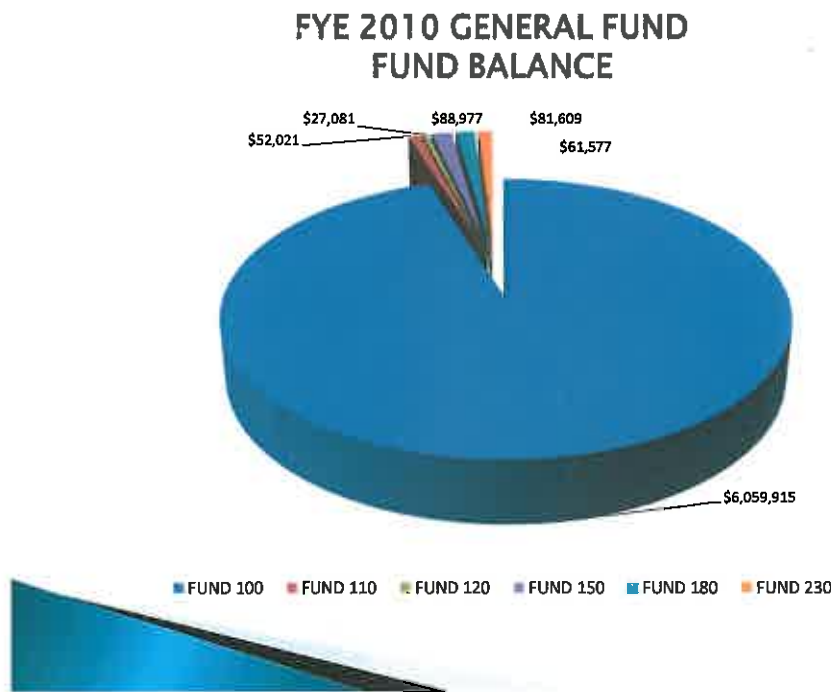
Ms. Vaughn continued “The Fund Balance History, as you can see, from 2006 to 2010 has steadily increased for 8.52 up to 21.17%.”

Fund Balance History



Ms. Vaughn added “The Fund Balance Breakdown for General Fund has Fund 100 as the highest amount at \$6,059,915. Fund 110, that is the Court Facilities. Fund 120 is Register of Deeds

Enhancement. Fund 150 is the Library. Fund 180 is Section 8 and Fund 230 is Mini Grants. So that is all encompassed in the General Fund, Fund Balance.”



Commissioner Carter stated “I know that there is some talk and maybe Chairman Hall you know more on it, at one time the Governor was talking about coming in and taking the counties fund balance. Has that been resolved?” Chairman Hall responded “I don’t think it has been resolved but in our updates there was a lot of political pressure for all of the counties and the Association has told them that this was not a practical approach. I don’t think it has been resolved but I don’t think it is something they are going to look at doing.” Mr. Howard added “The proposed House budget plus the Senate budget would not cause us to lose any fund balance.” Chairman Hall stated “The way they were going to do it is indirectly by cutting out programs. What the Governor was suggesting was they have all of this money if we cut out some programs and let them use their own cash. So we still won’t know. Let’s say they come up at the end of the year and decide we are going to cut school services by x number percent and let them make it up with their own monies. That is kind of the back door approach that they were looking at. I don’t think it is going to happen because they got a lot of flack on that one, but it could.”

Commissioner Satterfield asked “What is the number for Fund Balance History for General Government for \$6.1 million there? Line 5, 2010. Is that equivalent to the pie chart down at the bottom?” Ms. Vaughn responded “Yes it is and four million four hundred twenty-three thousand five hundred (\$4,423,500.00) dollars is the unreserved part. That is basically cash to be used unrestricted, unreserved.” Chairman Hall stated “Let me go back a second since you said that.” Ms. Vaughn responded “The Total Government is in blue.” Chairman Hall stated “That is 7.8. Then the General Government is?” Ms. Vaughn responded “Is in the red as 6.1.” Chairman Hall asked “The General Government is what?” Ms. Vaughn responded “The General Government is the General Fund. The General Fund is all the 100s that is on the next slide. Then that four

million four hundred twenty-three thousand is unreserved.” Chairman Hall stated “So Total Government includes?” Mr. Howard responded “Enterprises.”

Ms. Vaughn stated “The General Fund Cash and Investments as of April 30th, we have an account with Fidelity, a General Fund checking account of one hundred sixty thousand six hundred forty-three (\$160,643.00) dollars. The Fidelity Money Market of the General Fund six hundred thirty thousand twenty-eight (\$630,028.00) dollars. The North Carolina Capital Management Trust six million fifty-nine thousand five hundred six (\$6,059,506.00) dollars. The total is six million eight hundred fifty thousand one hundred seventy-seven (\$6,850,177.00) dollars. Investment earnings are very sluggish. Fidelity’s interest rate is 0.20 and the money market is 0.50 so that is the interest rate we have right now.” Mr. Howard added “We looked back a couple of years ago and we were making a couple of thousand dollars on interest. That is another hidden revenue that you do not think about that we lost.”

Ms. Vaughn continued “Our Projection for our Year-End Closeout. The adopted budget twenty million eight hundred twenty six. We amended the budget by nine hundred fifty-four thousand four hundred and eighty-two (\$954,482.00) dollars. As of April 30th our revenues and expenditures are at seventy-six (76%) percent. The Estimated Year-End Revenues I estimated at twenty million fifty-three thousand eight and our expenditures just under that at nineteen million seven hundred thirteen thousand. The Estimated Fund Balance in Year-End is based on the General Fund, Fund 100 only. The two main sources for this is the tax levy and the sales tax distribution. Both of those I estimated that on an average. Both of the main sources of revenue are unpredictable. We have to consider the three hundred thirty-nine thousand. There are variables that we have to consider such as carry over that we have to carry over for the restricted funds. Some of this maybe for instance Sheriff’s police funding that we set aside. Also there may be some grant funding that is set aside to carry forward to the next year so that is a restricted fund. I just wanted to let you know that this is a very conservative estimate for fund balance for our close-out.”

Chairman Hall asked “So tell me what that number means? Does that mean that we will probably end the year with three hundred thirty-nine thousand (\$339,000.00) dollars conservatively?” Mr. Howard responded “78% may be restricted funds.” Commissioner Satterfield asked “Is some of this going to be Health Department?” Mr. Howard responded “Yes, sir. Like she said there may be some grants that will carry over. The Sheriff’s lease with the Town will carry over to next year.” Chairman Hall asked “As far as General Fund Ad Valorem taxes we have spent as you said.” Ms. Vaughn responded “Currently we are at ninety-eight (98%) percent so we don’t have any surplus for that fund.”

Commissioner Lucas asked “Do you have a current number on sales tax to date? I know you said as of April 30th but do you as of today?” Ms. Vaughn responded “I do not have it with me but I will see if I have it on the flash drive.”

(At 6:05 p.m. Commissioner Travis entered the meeting).

Commissioner Satterfield asked “Kevin, is there any money in this budget for the reval?” Mr. Howard responded “Yes, sir.” Commissioner Satterfield continued “How much do we have in

the reval fund balance? Do you have any idea roughly?" Mr. Howard responded "About seventy-five thousand." Commissioner Satterfield asked "What does it cost us to do a reval? What was our cost the last time to do the reval?" Mr. Howard responded "About three hundred thousand (\$300,000.00) dollars. We put about seventy-five thousand in it each year. We are putting it off a year. We will probably have to talk about it again this summer to see if we are going to put it off another year."

Commissioner Lucas asked "Have you put the seventy-five thousand in this budget?" Mr. Howard responded "Yes, ma'am. It is in there. You can look at it two ways. One you can not put in there you would cut it back this year. It was about two hundred and eighty-five thousand in 2008."

Commissioner Satterfield stated "But our sales ratio is going into Raleigh they still are in pretty good shape aren't they?" Mr. Howard responded "It was at ninety-seven (97%) percent back in February." Commissioner Satterfield added "As long as they are in good shape I don't see any reason for a revaluation."

Ms. Vaughn stated "Ms. Lucas, the sales tax estimate that I have is we are budgeted at two million zero eighty-five nine sixty-eight for all sales tax, restricted and unrestricted. I am projecting to close the year at two million one fifty-seven. That is our average projection. So it looks like..." Commissioner Lucas asked "What is our balance today?" Ms. Vaughn responded "Today's balance is..." Commissioner Lucas asked "Is it hard to break it down?" Ms. Vaughn responded "No. For Article 39. Today it is four hundred fourteen thousand one hundred. For Article 40 restricted two hundred twenty-nine thousand four eighteen. For Article 40 unrestricted five hundred thirty-three thousand eight eighty-seven. For Article 42 restricted it is one hundred fifty-four thousand seven zero eight." Commissioner Lucas asked "Is that, you said restricted?" Ms. Vaughn responded "Restricted." Commissioner Lucas stated "These are the same numbers that are in the budget." Ms. Vaughn responded "They are the same numbers? Okay. That is through..." Commissioner Lucas responded "April 30th." Ms. Vaughn responded "Yes but it is from February." Commissioner Lucas asked "So it has not changed since April 30th?" Ms. Vaughn responded "No it has. I don't have this updated. I have collected March and April but I don't have it updated on this list. I am sorry I do not but I can get that to you." Commissioner Lucas responded "Yes, if you could."

Commissioner Jefferies asked "This thirty thousand (\$30,000.00) dollars is that for putting the top on the mill or what?" Mr. Howard responded "No, that is to go in and to do some renovations for offices for Maintenance. This is to move their offices and to get them out of the courthouse. They are in the courthouse now. The cost to put a new roof on it is one hundred and thirty-eight thousand." Commissioner Jefferies asked "Is PCC still going to move in there?" Mr. Howard responded "I have called the church. I talked to the pastor a couple of times and I was told it was available. I am just waiting for them to get back to me. I don't know what we are going to do yet. I hope to hear by next week so I can give you an update. I have not heard anything from the church whether they are going to let us use it or not." Chairman Hall responded "So that is the hold up for Piedmont Community College?" Mr. Howard responded "I have sent a letter out and I was told it was given to the Board of Trustees. I talked to him again and he wanted to go before the church." Commissioner Jefferies stated "I thought we had a lot

from the church that we could lease.” Mr. Howard responded “That is the one I am talking about. They have not gotten back with me yet on whether we can do that or not.”

Commissioner Jefferies stated “I thought we bought an ambulance last year.” Commissioner Battle responded “We did buy one.”

Commissioner Carter stated “I am a little concerned about these Sheriff’s vehicles because I don’t know what is going to go on with the Town with the Sheriff turning those vehicles back over. This one hundred and sixty-six thousand, is that the total for six or is that?” Ms. Vaughn responded “That is the total for six.” Commissioner Carter continued “Would that debt be reduced if we did a financing thing?” Mr. Howard responded “It is about one-third more.”

Commissioner Carter asked “Did they not request an ambulance about a month or two ago?” Mr. Howard responded “Yes, they requested two. It is based on the mileage of the vehicles.” Commissioner Satterfield added “They requested one this current fiscal year and one remount and we bought one ambulance and no remount.”

Chairman Hall stated “Now before we start requesting additional information what see on the capital request, personnel request, and cost of living, is not in the budget.” Mr. Howard added “The only one that is in the budget is the positions for EMS. The reason behind that is they would like to go from part-time people to full time people. This will help out with over time. It will keep them from having to pay retirement cost for part-time if we can keep it below one thousand hours per year. This is to keep part-time folks, especially EMS, from manning full time positions. It was not much of an increase in their budget to do this.”

Chairman Hall stated “Okay but just for clarity, this budget is not the same as last year?” Mr. Howard responded “Except for that it is. It is cheaper to move these three positions to full time because of the issues we are having with the staff.” Commissioner Lucas added “Is the reason that we are having issues with staff because it has been sort of an unusual time with the EMS without a director?” Mr. Howard responded “We were having this problem before with a director with the one thousand hours. What we have looked at is that it is cheaper for us to fill the three positions with full time people.” Commissioner Lucas asked “How many vacancies are there down there now?” Mr. Howard responded “There are no vacancies except the director.” Commissioner Travis added “What he is talking about is moving part-time to full-time.” Commissioner Lucas stated “I think you may have a problem with some of the full time workers working in other counties when they are supposed to be working in this county and you have to call in part-time people to work. I have heard that was an issue.” Chairman Hall stated “Either way until this discussion it was my assumption that capital request, personnel and cost of living was not in the budget. Now that we know what it is in the budget there will have to be further discussion on this.” Commissioner Travis added “Three employees, is what you are saying. What is this EM vehicle? What is that?” Mr. Howard responded “That is the Chevy Caprice they have over there.” Chairman Hall added “That is Emergency Management. Make sure that he understands that.” Commissioner Travis stated “They don’t use it, do they?” Mr. Howard responded “They used it for training for Emergency Management and they use it when we have spills.” Commissioner Travis stated “Well every time I see them, they are driving that new truck.” Mr. Howard responded “The truck is used to go on EMS calls.”

Commissioner Jefferies asked "Doesn't the Sheriff have some cars that they can use?" Mr. Howard responded "The Sheriff's cars are in worse shape." Commissioner Travis stated "I tell you it is going to come a time when all of these people are not going to have a vehicle to drive back and forth home. I know that is what a lot of them are doing." Chairman Hall stated "Well right now this is not an issue because it is not in the budget. This stuff under capital request is what staff has indicated they want. It is my thinking before we even move towards this there will be a lot of discussion and consideration as to the needs and how we can handle the needs." Commissioner Travis asked "Well if you put all of this in the budget what is the tax rate going to be?" Chairman Hall responded "About three or four cents."

Commissioner Battle asked "Mr. Chairman, what about appropriating fund balance?" Chairman Hall responded "What about it?" Commissioner Battle responded "I think we need to talk about it. It needs to be discussed because we do not have anything for fund balance right now. I know we mentioned it but I don't think we are looking at that. It is not in front of us and I think it needs to be." Chairman Hall asked Ms. Vaughn "Are you close to the end of your presentation?" Ms. Vaughn responded "Yes, sir. I am finished."

Commissioner Travis asked "Mr. Battle where do you think we are going to get this money to put in it?" Commissioner Battle responded "I don't know but we at least need to discuss it." Commissioner Travis stated "There is only one way to get and that is to raise taxes." Commissioner Battle responded "I understand but my feeling is I don't care if we put in fifty thousand dollars or twenty-five thousand dollars. We need to talk about it to try to put something in place. If it does not work out, it doesn't work out. But I am not going to sit here and not ask about appropriating fund balance." Chairman Hall stated "For clarity, let me say this. When you say appropriate fund balance you are not thinking about taking some out." Commissioner Battle responded "No sir, putting some in." Chairman Hall stated "In my thinking, appropriating is taking some out. I am with you now. You are talking about putting some in."

Commissioner Travis stated "I can tell you where you can get the money. You can get everyone of these departments to cut one percent out of the budget and put it in there." Commissioner Battle responded "I am not against anything to do it. I am just saying that it is something that needs to be talked about. I am just talking about putting money in." Chairman Hall stated "I don't understand the rationale." Commissioner Travis added "I don't understand the rationale either when you are talking about something to raise taxes." Chairman Hall responded "That is not what Mr. Battle said." Commissioner Travis stated "I don't understand where we are going to get it." Chairman Hall responded "You asked if I understand. I said I understand but I don't understand your rationale. I think what he wants is some discussion on growing the balance."

Commissioner Carter asked "That three hundred thirty-nine thousand you said we had leftover this year, will that go into fund balance?" Commissioner Battle responded "But is earmarked. Out of what is earmarked listen to what you said seventy or eighty percent that is about sixty left for us maybe roughly seventy-five." Commissioner Carter asked "Will we have any leftover in contingency?" Mr. Howard added "That is taken everything into consideration."

Commissioner Carter asked "Do we have enough city surplus to do another auction? Last year we generated twenty-eight thousand." Mr. Howard responded "No, sir."

Commissioner Lucas stated "Chairman Hall I am just trying to get a handle on the process since I am new to it as far as the Board and how to actually proceed with the budget. I understand the importance of fund balance and the appropriations and I appreciate Mr. Battle's comments, the need for doing that. Does the fund balance that you are talking about include the Health Department appropriations?" Ms. Vaughn responded "It does. There is a fund balance in there, Health Department Appropriated Fund Balance." Commissioner Lucas asked "So that is included in the three hundred?" Ms. Vaughn responded "I am sorry. There is an appropriation in this budget that is Health Department." Commissioner Lucas continued "To balance this budget? You have used money out of that fund balance. I just need an explanation on how we proceed as far as the budget is concerned. Having looked through it I have so many questions about each department. I don't know if you in the past have talked to each department individually and called in department heads. I personally would like to talk to some department heads. I don't know if that has been the practice in the past or not." Chairman Hall responded "It has not necessarily been the practice. I guess it would depend upon the questions because one of the things we asked them to do is to use the budget from last year. Now we have the same budget from last year unless you want to discuss eliminating programs. I think if we are going to do that type of discussion we need to start with the County Manager." Commissioner Lucas responded "We would start with the administrative budget. I mean that department." Chairman Hall stated "Right." Commissioner Lucas stated "I look at this as an important document right here. As far as sitting down and looking through it and studying it I have a lot of questions that I would like answered. I just don't know the process. That is what I am trying to get a grasp on." Chairman Hall responded "Okay and I am trying to understand what you are asking." Commissioner Lucas asked "Do you come to budget workshops and go through two or three departments at that given workshop?" Chairman Hall responded "I would not suggest it. Well not at this point." Commissioner Lucas asked "Well how do you do it?" Chairman Hall responded "I am trying to get at what is your question." Commissioner Travis responded "That is her question." Commissioner Lucas responded "That is my question." Chairman Hall responded "What is your question about a department. Say you are looking at administration. If you have a question..." Commissioner Lucas responded "There are different questions on each line item." Chairman Hall asked "What are they?" Commissioner Lucas responded "Well I just asked one on ABC profits for revenues it was in the minus and that blew my mind when I saw the ABC profits were in the minus. There are things like that, that I see in here. That is why I feel it is real important to go through the budget if not line by line then at least by departments. I don't know how the other commissioners feel about that but I would certainly like to hear from them."

Commissioner Battle asked "Where you have the '11-'12 by Function, the Economic and Physical Development. Is that for that department? Is that for that person or what?" Mr. Howard responded "That is a function." Commissioner Battle added "So that is not..." Mr. Howard continued "That is part of that function. Part of that is Planning." Commissioner Battle asked "Where are the materials, as far as, if we include other departments? Like the Economic Developer and Human Resources?" Mr. Howard responded "We can get that to you." Ms. Vaughn added "We would have to add that. It would come into a function. Economic

Developer would come under General Government so we would add it in there.” Commissioner Battle asked “Are you going to put that in? How are we going to see it I guess is what I am asking?” Mr. Howard responded “We will have to give you separate numbers on the Economic Developer and Human Resources and the other positions we talked about. We will budget for that department about fifty-five thousand. The other positions will come from general fund dollars. She is still working on that.” Commissioner Battle stated “So just to be clear when we do this next meeting that is when you will put it in. That is when you will put it on the board.” Mr. Howard responded “Yes.”

Chairman Hall stated “Now we will go back to Commissioner Lucas’ question. How do we proceed here with the budget process? I could not give you a straight answer because I have my preferences but I think the Board as a whole should make this decision so I would not skip you or anything. What we have for consideration so far on page seven Capital Request is not in the budget, page eight Personnel Request except for three positions for EMS that is not in the budget, Cost of Living Increases that is not in the budget and that pretty well keeps us even for where we were last year. Prior to Mr. Travis coming in she also told us that the revenues were pretty rough.”

Commissioner Travis asked “We say this is the same as it was last year. Didn’t we have some cars in the budget last year?” Mr. Howard responded “Yes. We are making payments on them. The payments are still in the budget.” Commissioner Travis stated “We bought some cars last year.” Mr. Howard responded “Yes, sir. You borrowed the money from the Solid Waste Fund and you are paying it back. It is in the budget for the next three years. We budgeted the payments for three cars.” Commissioner Satterfield stated “We bought three used cars. I mean three new vehicles and some used cars didn’t we?” Mr. Howard responded “Yes, sir. We paid for the used cars.” Chairman Hall stated “For clarity the cars that we paid for are those dollars back in the budget again?” Mr. Howard responded “No.” Chairman Hall stated “I just want to know. I understand we have to put in money for the payment. As long as it is not there that is all I am asking.” Commissioner Travis stated “In other words what you are saying is the ambulance that we bought is in the budget.” Chairman Hall responded “Yes.” Commissioner Battle added “When we got the ambulance they said we are going to get the ambulance and we are not going to pay for it until the following year. Some asked can we do that. Is that good accounting or bookkeeping and we were told yes. So that is what happened with the ambulance. We got it but we did not pay for it, I don’t know what month but we did not pay for it until down the road.” Commissioner Satterfield stated “We just got it.”

Commissioner Travis asked “I was going to ask about this maintenance on Guilford Mills and the Library. Is this something that has to be done? I know that there are things that need to be done at Guilford Mills but the college was going to do that.” Mr. Howard responded “The Library one a/c unit has been down for the last two or three years. We thought it was the compressor and we had it checked this spring. Sam checked it and it is more than the compressor. It needs to be replaced.” Commissioner Travis asked “No one knew it was out for two years?” Mr. Howard responded “It appeared to be working but the building would not get cool. Somebody else came and checked it and said this was not the issue. It is so old that it needs to be replaced.” Commissioner Travis stated “That is what I am getting at. That is sixty-one thousand right there. If that has to be done it needs to be in this budget.” Mr. Howard

responded "Thirty thousand of that does not have to be done." Chairman Hall stated "I agree with Mr. Travis but the reason we did not have it there is because we did not have a capital budget last year. We have these things that staff has identified but there may be other things that need to be done." Commissioner Travis stated "That is like this ceiling right here. If we are going to do something about this ceiling in the next fiscal year we need to put it in this budget." Chairman Hall responded "Exactly." Commissioner Travis stated "There is no need to pass this budget until we can get some money to do this and to get thirty thousand out of the fund balance to do this or that."

Commissioner Satterfield stated "Is there anything in the budget for contingencies at all?" Mr. Howard responded "No, sir." Commissioner Satterfield asked "Nothing?" Mr. Howard responded "We have forty thousand in there now."

Chairman Hall stated "Based on our questions, what we are hearing is, we do not have enough revenue." Commissioner Battle responded "No, we don't." Chairman Hall continued "Or we have too much in expenses. One or the other. Either way it has to be significant. One or the other." Commissioner Satterfield added "There is no way to make any more revenue unless you go up on taxes." Commissioner Lucas stated "The only solution is to go through the budget and eliminate expenditures." Chairman Hall responded "We can eliminate some spending but with seventy or eighty percent of our stuff in personnel you cannot eliminate enough from a line item. There is not enough there. It is the same as last year and there was not enough. So you have to eliminate some programs or some staffing. You do not need to go through the line items to do that. Just pick a department and say we are going to wipe them out, a big department. Or pick a program and say you are going to wipe it out." Commissioner Lucas responded "Well I beg to differ because I know when you go through these departments and you reduce the line items at the end of a twenty million dollar budget the savings can be significant if you do it properly." Chairman Hall responded "Well I am going to beg to differ with you because I have been on this Board now for fifteen years and we have done that and we have not saved a thing. What you end up with is stuff like that with things not getting fixed. The a/c in the library not being fixed. Getting embarrassed like we did last year when PCC came and passed around pictures of their building leaking. So all we are doing is fooling ourselves." Commissioner Lucas stated "Well we still are not able to put anything into fund balance." Chairman Hall responded "No we are not." Commissioner Lucas continued "Even with what you have with the current fund balance." Chairman Hall responded "We have not yet." Commissioner Lucas continued "And we increased taxes as well." Chairman Hall responded "We have not increased taxes yet." Commissioner Lucas responded "The tax rate went up." Chairman Hall responded "Yes, last year. It did go up because we skipped three years. You did not have a choice. You can't skip three years with inflation that way it is and not go up." Commissioner Lucas stated "Chairman Hall to me I think it is important to analyze this document as commissioners and make recommended cuts where we see they can be withstood and report accordingly. I would go as far as to make a motion..." Commissioner Carter stated "Hold on could I get my question. I just want to point out something that Commissioner Hall said a while ago. When I first came on the Board, it is going on five years, our fund balance was down to eight percent. We got a letter from the Local Government Commission. We are now at twenty-one and a half percent. We have made a significant gain in the last four years on that fund balance from eight percent to twenty-one and a half percent and I commend the whole Board for doing that. I think we have

been very diligent in doing that from where, Chairman Hall, we got the letter four years ago from the Local Government Commission. I think we have done good in doing that." Commissioner Lucas stated "When I left the Board in 2004 the fund balance was at about twenty-four percent." Commissioner Carter stated "Five years ago it was at eight percent and it has been brought back up to twenty-four and a half."

Commissioner Jefferies stated "The only thing I have to say is no tax increase. There is no money coming in from anywhere else. We have to do what we have to do. I am not going to vote for a tax increase and I will tell you this right now no tax increase. Maybe we need to cut services." Commissioner Battle asked "What services are you going to cut?" Commissioner Jefferies responded "I don't know but we have got to do something. I will not support a tax increase."

Commissioner Lucas asked "I would just like to know if everybody has had the chance to actually sit down and look through the budget and look at the line items and analyze what is going on within each department?" Chairman Hall responded "I am going to give you my personal response, I did not take the time because I am not going to look at the administration budget and look at their supply line item and say that I can analyze it and that they do not need that much in supplies. I can't do that." Commissioner Lucas asked "Based on what they spent from last year and this year?" Chairman Hall responded "That does not help me." Commissioner Lucas responded "Then we have a fundamental difference of opinion on how to handle this budget." Chairman Hall responded "Right. That is exactly why I said that. I know we have a fundamental difference." Mr. Howard stated "I would probably ask that you do that, to talk with the department heads." Commissioner Lucas responded "I would love that." Mr. Howard continued "Because there could be something in there this year that was not in there last year." Chairman Hall stated "Part of our fundamental difference is our role as commissioners is one of policy not administration. The county manager is the administrator. The finance officer is the administrator. They can go through the lines and look. Our job is policy. We can set the rate. We can determine the services we want to offer and determine the programs and leave the rest up to the staff. That is not our policy to go in and decide that we are going to put fifty dollars in supplies and put one hundred dollars in gas. That is not our policy. Now we have done that for years but that was not our policy. That is not our role." Commissioner Lucas responded "But we are supposed to be stewards of the taxpayers' money, is that not correct?" Chairman Hall responded "Sure we are." Commissioner Lucas continued "Well in doing so how can we accurately do that without analyzing this budget?" Chairman Hall responded "Stewardship means from a policy standpoint that we are doing what we think is right with those dollars. If you are suggesting that there is some fraud or something else then you need to bring that forward, I don't mean you personally, I mean anybody. But going in and looking at line item by line item, looking at what every department is spending and suggesting that this is good stewardship, that is not stewardship. Our stewardship is in our policy. Stewardship for personnel is do we have a personnel officer. Stewardship for economic development is do we have an economic developer. See we are missing the big picture here. We are going to look at line items and whole departments that is not doing anything because they don't exist." Commissioner Lucas stated "Just glancing through and looking through this you had some department heads that put justifications behind their budgets as to what their needs were. There were some that had nothing." Chairman Hall responded "That is fine. We need to look at the

county manager.” Commissioner Lucas stated “That would be a question I would like to ask a department head.”

Commissioner Travis stated “I understand what you are saying Ms. Lucas but to be honest with you if you have a question for a department head on the budget that man right there is the one that should be asking for us. He answers to us and the department heads answer to him.”

Commissioner Lucas responded “But this is a budget process. I agree. He answers to us for all of this.” Commissioner Travis stated “If you had a question about something with the Sheriff’s Department well I guess you could ask the Sheriff. With a department head you tell Kevin what is wrong and he can bring you an answer back. That is his job.” Commissioner Lucas stated “This is just one issue that I noticed in revenues under Summer Camp Programs. Since we are dealing with the summer camp issue there is money in here for summer camp programs. I think that is pertinent information to know and to talk about with the issue that is pending with the summer camp.” Chairman Hall responded “I agree but the county manager should answer that. We should not be brow beating staff.” Commissioner Lucas continued “in that situation in that line item.” Chairman Hall responded “County Manager. We don’t put staff on the line.” Commissioner Lucas responded “But that is what the budget process is about.” Chairman Hall stated “That budget process is not about us...” Commissioner Lucas responded “Well then why do we have this book?” Chairman Hall responded “Because they are presenting this to this Board.” Commissioner Lucas continued “And we have to pass a budget ordinance by law right?” Chairman Hall responded “Yes.” Commissioner Lucas asked “How can we reasonably do that legally without having gone through and justified the spending that is within it? It is time consuming but it does not have to be so time consuming if we would do it by department. Break down so many departments per workshop.”

Commissioner Carter stated “The only thing I would like to say about the budget is I agree with Chairman Hall because last year we asked each department to cut their budget by one percent and nothing has increased. The only thing they are asking for in this coming year’s budget is what they have outlaid here in capital request.” Commissioner Lucas asked “How did you determine a one percent cut across the board? Where did that number come from? Is that something that you just thought was reasonable?” Commissioner Carter responded “The whole Board looked at...” Mr. Howard added “The Board decided to cut one percent of the budget. They asked the department heads to make that adjustment.” Commissioner Lucas stated “One percent cut.” Chairman Hall stated “When we were trying to develop how much of an increase or how much revenue, etc. that we had to work with.”

Commissioner Lucas moved, seconded by Commissioner Satterfield that the Board establish dates for budget workshops and proceed with a departmental line item review of the budget for the upcoming year.

Commissioner Battle asked “Are we talking about during the day or in the evening or do you have an idea?” Commissioner Lucas responded “Whatever is convenient. I know you cannot be here during the day right? Evenings are fine.”

Commissioner Travis asked “Are we going through the whole thing line by line?”

Commissioner Lucas responded “It can be but it does not have to be.” Commissioner Satterfield

added "I don't think it is necessary. If you go into each department and if any commissioner has a question about any particular line item just ask the question. I don't think Commissioner Lucas is talking about we have to discuss each one of these line items. It may be one line item in one department that a commissioner may have a question about." Commissioner Lucas responded "I am not just talking about going through every single line item. I am talking about a line item review if there are questions about the line." Commissioner Satterfield stated "We did do that year before last Mr. Chairman. Last year we did not do that. I think we did do some individually last year." Commissioner Travis stated "I will tell you this the only time I can work on something like this is at night. I can't take off to be here all day."

Upon a vote of the motion, the motion failed by a vote of two to five with Commissioners Battle, Carter, Hall, Jefferies and Travis voting no.

Commissioner Lucas stated "I think we have done the people of this county a huge disservice and I would like that to be in the minutes please." Chairman Hall responded "I am sure it will be recorded."

Chairman Hall stated "Our next action is how do we proceed in dealing with this budget." Commissioner Lucas stated "Might as well pass it. Nobody has looked at it."

Commissioner Jefferies stated "Proceed by telling the county manager what we want."

Commissioner Carter stated "I just want to clarify something. You said that nobody has looked at this budget. I have went all through this budget." Chairman Hall responded "We do not have to get personal." Commissioner Carter responded "I am not. I am just letting her know."

Commissioner Satterfield stated "Mr. Chairman I briefly looked through this budget but I was waiting until this presentation before I really got into it. I do have some concerns and I have had for the last couple of years with travel. The state of North Carolina has cut out all travel for the last two years but we continue to spend like we have lots of money. I know that some of it is probably necessary travel but I think there are other ways that we can look at training other than going to conferences and this, that and another through webinars and things like that in which we have taken advantage of at least one time a year. I also have grave concern about a budget without any contingencies because I don't care what we do sometime during the year we are going to have things come up where we are either going to have to have a contingency line item or we are going to have to go to fund balance. It happens every year. It is like running a household budget without any savings. You know things breakdown that you don't expect. You could have roofs that leak that you don't expect. You can have a motor blow up in the car that you don't expect. I am concerned about that and not having any contingencies. The HVAC systems, we have one at the new courthouse down there that is a 1970 model and one at the library that I think is the original HVAC system. We are kidding ourselves by not at least doing something about these because it is costing us in utility dollars. We are spending about four or five thousand a month at the courthouse down there in utility bills. With a new system we may be able to reduce that utility bill by thirty percent. Now without a tax increase I am like Commissioner Jefferies I am not going to vote for a tax increase this year. Our options go back to some of the things we talked about last year and they are not good options any way you look

at them. Furloughs which a lot of counties are still looking at and doing. We have been able to not do that. We talked a little bit briefly last year about employee contributions to health care. Our premium has gone up eleven percent this year. I realize our employees have not had a cost of living increase in three years. Commissioner Lucas, I recall her saying one or two times that it is a disgrace that our employees have not gotten a pay raise. Well I think it is a disgrace too but if we want to do things like this you are going to have to be willing to go up on the tax rate or you have got to be willing to make some type of cuts, significant cuts, in this budget. I don't think any real bid significant cuts can be made. I have been through this thing two years now. I think there are some things in there that can be trimmed. There is no question about it. Now whether we can trim them without going into programs I am not sure whether we can or not. It is some areas in there that I have some questions about Mr. Chairman. It is tough because last year's budget was tough. That is all I have to say about it Mr. Chairman. I will talk as we go through it I guess."

Chairman Hall stated "I am still at my original question where do we go from here in dealing with this budget. We have some feelings and some strong feelings I am sure as to what we can or should do but in the end we have to make a decision. Let me put it this way, do we want to address any capital items? Do we want to address any personnel requests? Do we want to address cost of living? Those are policy issues. That is what we have to decide."

Commissioner Battle stated "Mr. Chairman I would like to address the issues of fund balance, of the contingency, of the COLA, of the capital, and the personnel." Commissioner Satterfield asked "Do you mean these personnel requests here?" Commissioner Battle responded "Yes." Chairman Hall stated "Let me repeat. You want us to address fund balance, contingencies, COLA, capital and personnel. Which is in summary of what everybody talked about." Commissioner Battle responded "Yes, sir." Chairman Hall asked "So when you say address them you mean this Board to make a decision up or down or which way we are going or do you mean let's include?" Commissioner Battle responded "I would like to see what the numbers look like included."

Commissioner Carter asked "I would like for us to go through the departments in a work session and then if any of the commissioners have any problems with each department, if we have something highlighted we can bring it out. I have one question about professional fees in administration fifty thousand dollars." Mr. Howard responded "That is for the county attorney." Commissioner Lucas asked "Will we address that or when will we address the county attorney position? Does that seem reasonable in the budget? That amount?" Mr. Howard responded "That is what it would cost for a contract attorney." Commissioner Lucas continued "That is just one line item." Mr. Howard continued "That is just an estimate. That is subjective to this Board."

Commissioner Carter stated "I kind of agree with Commissioner Battle. My list is kind of the same looking at the fund balance. What we are going to do? Leave it the same or make an adjustment in it? Also I have a concern, and I reckon the county manager needs to get with the Sheriff on these vehicles, because I do have a concern that we are going to lose three or four back to the town. That will put the Sheriff's Department short vehicles. I do have a concern which I think that this is something that we are going to have to do which is the HVAC unit at

the library. The personnel requests take a look at that and the cost of living increase. I know we are probably not going to be able to do much because we are not going to do a tax increase.”

Ms. Vaughn stated “Chairman Hall I have a question please. I would like to know from Mr. Battle, you mentioned fund balance, are you saying to appropriate fund balance?”

Commissioner Battle responded “No, ma’am, to put in.” Ms. Vaughn responded “To add in.”

Commissioner Battle responded “Yes, ma’am, to add to.”

Mr. Howard stated “On contingency. By law we cannot designate for fund balance.”

Commissioner Battle responded “That is fine.” Chairman Hall stated “Well I disagree here on what you said.” Mr. Howard responded “I can’t put a budget amount that says reserve for fund balance.” Chairman Hall stated “But you don’t have to do that at all if you start with the dollars that are available. Let’s say whatever our base is you could say 95.75 and you reduce it to 95.5 and say the difference is for fund balance. I think what he wants to see is an effort and a growth. You don’t have to necessary line item it. For clarity here, again we are talking about policy issues first. If we are going to address those issues then we know it is going to cause a tax increase. Let’s not kid ourselves. There is no department that you can cut four or five thousand dollars. It is just not there. Policy wise we can discuss it and talk about them and we have to make a decision on each one of those categories because I doubt very seriously we would raise taxes seven or eight cents and that is what it would take when you look at these dollars.”

Commissioner Lucas stated “Just one other example of what I am talking about. In the Emergency Medical Services budget, contracted services what would that be for?” Mr. Howard responded “Medical Director. There is an increase in that.” Commissioner Lucas responded “Yes it was through April 30th five thousand four hundred and seventy (\$5,470.00) dollars and the budgeted amount was twenty-three thousand three hundred (\$23,300.00) dollars so that is a significant increase.” Mr. Howard responded “The medical director is not going to do that anymore. His cost was less than what we are going to have to pay for another medical director.” Commissioner Lucas stated “So we had to increase it by that amount to get a medical director?” Mr. Howard responded “Now I am not sure but that is the reason for the increase.” Ms. Vaughn added “Once a medical director has been contacted a ball park number is given. That is why it is set at a higher number. The current medical director does not plan to do it any more so...” Commissioner Lucas stated “Dr. Long.” Ms. Vaughn continued “they started to look to see who could possibly do it.” Commissioner Lucas stated “See that is something that I would like to hear or you know talk to whoever the director is.”

Commissioner Carter stated “I think I have discussed this several times but since you brought that up I will give you a little background. We have a Caswell County coroner. I am just explaining this to you because I served as Caswell County’s coroner for sixteen years. If the coroner’s position would work right, you have to go through a medical examiner anytime somebody dies now for a death certificate but if you have a patient that is under hospice care the coroner can go out there and call the doctor and the doctor says sign the death certificate then the coroner charges \$50.00 for the call. Either you can use that position to save the county money or not. If not then we need to do away with it all together.”

Chairman Hall stated "I think we are talking about a couple of different things here now. A medical director for EMS is a prescribed director for supervision and direction in the field." Commission Lucas added "It is an oversight for EMS." Chairman Hall responded "That is right they are the oversight for EMS."

Commissioner Carter stated "The only thing I had to say about the other was if it was used right it could save the county some money." Commissioner Travis asked "How many people are you going to have to call in to say so and so is dead we need a coroner. They are going to call 911. I need an ambulance. I need an EMT. They are going to try to revive them before they pronounce them dead. That is how that works. The only thing with a coroner is they cannot move them unless someone pronounces them dead. That is the way it is." Commissioner Carter responded "That is true but they can call the doctor and EMS is going to have to do the same thing."

Commissioner Travis stated "Let me clarify something with Mr. Battle. You want what capital request will cost and personnel cost. What about the cost of living?" Commissioner Battle responded "I said that." Commissioner Travis stated "Well you have different percentages here. Which one do you want?" Commissioner Battle responded "Well staff can show me all four of them." Commissioner Travis stated "But you have it right here how much it is going to cost you." Commissioner Battle responded "Alright but that is in addition to everything I asked for too. I understand what you are saying. I could put that on top of whatever else they have but that is in addition to everything else I asked for." Chairman Hall stated "I think what he said..." Commissioner Travis responded "I understand what he is saying. He wants to know how many cents of taxes this is going to cost the taxpayer. Am I right Mr. Battle?" Commissioner Battle responded "That is part of it yes." Commissioner Travis stated "Because that is the only way you can fund this right here." Commissioner Battle responded "I am asking to see it. However they can fund it I am glad to look at it. That is up to them to figure out how we can fund it." Commissioner Travis stated "I understand what you are saying Mr. Battle. The only way you can fund this right here without a big tax increase is you are going to have to shut down some departments." Commissioner Battle responded "I am not saying that we can't. I want to see how it looks." Commissioner Travis stated "I understand what you are saying there. You can't sit here and say I am going to shut this department down and I am going to give everyone else a three percent raise. That is a poor way to run this county." Commissioner Battle responded "I don't disagree with you. I am not trying to argue with what you are saying at all." Commissioner Travis stated "I am not going to do that." Commissioner Battle responded "I agree but I did not say anything like that." Commissioner Travis responded "I did not say you did. But what I am getting at is that it is the only way I can see you funding this." Commissioner Battle responded "And I will agree with that to an extent."

Commissioner Satterfield asked "Mr. Chairman could we do this tonight. I know this proposed budget directive, I don't know, I guess it came from the Board, where the manager knows which way we are going. Could we entertain a motion tonight that we would not have a tax increase this year and see what kind of support we have for that? If we are not going to support a tax increase then it will make life a little easier for these two people if we say we want to do a cost of living or we want to hire x number of people. Then they know they are going to have to go somewhere to get some revenue to do this and it is not going to be a tax increase. It will have to

be programs cut. It will have to be furloughs. It is going to have to be some other kind of revenue source. Could we do that tonight?" Chairman Hall responded "Yes, we can."

Commissioner Lucas stated "If I am looking at this correctly under Debt Service you have three hundred and fifty-two thousand (\$1,152,000.00) dollars for an interest payment on the detention center. Is this correct? You have already budgeted for that. How did you come up with that number?" Mr. Howard responded "It is based on our estimate of the total dollars."

Commissioner Lucas continued "And it is borrowed?" Mr. Howard responded "It is an estimate." Ms. Vaughn added "It is the amortization." Commissioner Lucas asked "Has that been given to the Board?" Mr. Howard responded "Yes, ma'am. It was given back several months back. We get updates on that based on the market. The number you see is based on five percent." Commissioner Lucas asked "When do the payments start on these bonds?" Mr. Howard responded "That is what we have figured in the budget. That is based on two payments for next year. That is only one payment unless something has changed." Commissioner Lucas "This is an interest payment only. So it is going to be more or less?" Mr. Howard responded "It should be less than what is in the budget." Commissioner Lucas asked "So what we have in this book is not accurate. Is that what you are saying?" Mr. Howard responded "It is accurate based on what I had at the time. It will not be accurate until it is closed." Commissioner Lucas stated "Well there is three hundred and fifty-two thousand dollars right there and I think before we spend another penny on any new spending or new building or whatever, we need to give our employees a raise. Instead of creating new jail cells and making more criminals comfortable I think our employees deserve a raise. So that is where my thoughts are on that one but that is three hundred and fifty-two thousand dollars right there."

Commissioner Carter stated "What I am seeing here tonight is if you cut out these capital requests you could pass a budget with no tax increase." Chairman Hall responded "Capital requests are not in the budget." Commissioner Carter continued "That is what I am saying. So in order words you could pass the budget right now without a tax increase." Mr. Howard responded "Yes, sir. Is that realistic? No sir."

Commissioner Travis asked "What position would the county be in if we passed this budget like it is right now?" Mr. Howard responded "We have equipment that is wearing out and buildings. So we would be right where we are now. Things will still be deteriorating." Commissioner Travis responded "I understand what you are saying there. I want to ask you one question about the Sheriff's Department. What about these people that we hired from the Town and the town gave us money to do the Town policing? They are still in this budget. They are not going anywhere." Mr. Howard responded "Two of them are still in the budget. There are two openings." Commissioner Travis asked "What did this Board say when we took that money? When the money ran out they all went out." Mr. Howard responded "There were four positions. The Sheriff presented the budget to me and there are two there now so that takes care of two of them. We have remaining funding for those two positions for one more year." Commissioner Travis stated "You know what that tells me. They had money in their budget. You have to have it in there if you can afford to pick it up once the money is gone." Mr. Howard responded "No, no." Commissioner Travis continued "The money is going to run out July 1st." Mr. Howard responded "Yes it is." Commissioner Travis asked "What is going to happen then?" Mr. Howard responded "There is money in that fund to fund two positions for one more year."

Commissioner Jefferies stated "If you have money in the fund to pay for two positions then they have enough money to buy two cars."

Commissioner Travis stated "I know what this Board said." Mr. Howard responded "The Sheriff is not here to explain and I don't want to speak for the Sheriff. I would suggest speaking with the Sheriff." Commissioner Travis stated "We say one thing and then we turn around and do something else." Commissioner Carter stated "I will have to say Commissioner Travis is right. I remember us saying when the money runs out." Commissioner Travis added "What he is saying is the money has not run out. I guess at the next budget time we will address that." Mr. Howard responded "When I spoke with the Sheriff, the hope was that there would be two positions that would open up and those two positions would be absorbed in the current Sheriff's Department."

Commissioner Jefferies moved, seconded by Commissioner Satterfield to have no tax increase in the next year's budget so the County Manager and Finance Office will know how to proceed.

Commissioner Lucas stated "Of course nobody is for a tax increase. I am trying to understand the rationale on how you can come to that decision without having looked at any of this." Commissioner Travis responded "We are not voting on the budget." Commissioner Jefferies added "We came to that rationale because we..." Commissioner Lucas continued "But that was a directive we gave him early on. That was the first thing said in the budget message, there is no tax increase." Commissioner Satterfield asked "Who gave him that directive?" Commissioner Lucas responded "We did." Mr. Battle added "This Board did." Commissioner Satterfield asked "The Board voted on it?" Mr. Battle responded "We gave them a direction as to what to have and that is what is stated." Commissioner Travis stated "We are not passing the budget tonight." Commissioner Jefferies added "This is so he will have an idea on how to proceed."

Chairman Hall stated "I understand the rationale for the motion, I disagree with it. I don't think you can make decisions on capital requests, personnel, and cost of living when there is no money on the table and make a decision without giving them anymore money and to have them go find some somewhere else. There is not five or six hundred thousand dollars out there. Now we can do a feel good vote and say that we are not going to have a tax increase. There is no money out there for them to find. It is just not there."

Commissioner Battle stated "I disagree with making this right now. It is like I said it is a tool and I don't know the people's reasons for saying this. There could be a number of things I could chose but at this point right now I think we need to look at all the options of what we are trying to do as far as trying to balance this budget and to be able to do stuff for this county. I just think right now it is premature to say well let's not look at that. To me everything should be open on the table right now because we just had our first budget workshop, or budget session or overview and we want to say no tax increase. I just think that is premature."

Upon a vote of the motion, the motion carried by a vote of five to two with Commissioner Battle and Hall voting no.

Chairman Hall stated "So what the Board has agreed now is no tax increase. Now we are back to where we were. What is our next step in this budget process? What is it that the Board would like to do?"

Commissioner Carter stated "I looked through the budget and stuff. We have our fund balance up to 21.5% if something comes along like that HVAC unit I think it needs to be taken out of fund balance." Chairman Hall responded "That does not help us with the next step on the budget process." Commissioner Carter stated "For the next step I would like for the county manager to review the departments and see if they could be cut at least one percent."

Commissioner Lucas asked "What are we going to do?" Commissioner Carter responded "Well we can go through the budget too and make notes." Commissioner Lucas continued "What is our role here?" Commissioner Carter responded "I think we agreed to go through each department and look at it and discuss it with them." Commissioner Lucas asked "Did we agree to do that?" Chairman Hall responded "No. That is why I asked what is the pleasure of this Board in the budget process?"

Commissioner Carter moved, seconded by Commissioner Lucas to hold a work session with each department and to have each commissioner come up with a list of items they think needs to be discussed with each department as far as cutting waste in each department. The motion carried by a vote of four to three with Commissioners Battle, Hall and Jefferies voting no.

Chairman Hall asked "Next date and time for the next meeting?" Mr. Howard asked "Do you want the department heads present for that meeting?" Commissioner Carter responded "Yes." Chairman Hall responded "He did not say so. Let me throw out another suggestion. Here again I am philosophically against what we are doing but I will try to help with the process. If there are questions I think those questions need to be gotten to the county manager in ample time so the county manager can get with the departments. If someone feels better hearing a response from the departments I don't have a problem with that but if you have a question about a line item and that line item turns out to be that the county manager can answer it, let's get our questions to the county manager in ample time before the next meeting so they can be researched." Commissioner Carter stated "That is kind of what I meant Chairman Hall for each one of us to go through each department and then we get the questions to the county manager then if we feel like we need someone like the Sheriff we could get him in here. Surely for the county departments, they would be lists for the county manager." Chairman Hall stated "The Sheriff and Register of Deeds are both elected and the Tax Department reports directly to this Board. The county manager can communicate information but this Board would want to address those."

Chairman Hall asked "Now, next meeting? Date and time?" Commissioner Carter responded "How about June 2nd on Thursday?" Commissioner Battle asked "Will that give you enough time depending on when you get your stuff?" Mr. Howard responded "Yes if I know which departments." Commissioner Lucas responded "Just start at the beginning." Chairman Hall responded "We will not know until we see the nature of the questions. So it seems that June 2nd is good for most everybody." Commissioner Jefferies asked "Will he have enough time to do what he needs to do." Mr. Howard responded "If I can have the questions by Friday I would not

have a problem with getting with the departments by Tuesday.” Chairman Hall asked “Did everybody understand what the county manager just said. If we get the questions by Friday he should not have a problem getting responses by Tuesday and that makes sense to me since he put together the budget and the departments put together the budget. Now we are going with Thursday, June 2nd, what time?” Commissioner Battle stated “5:30 for me.” Commissioner Jefferies responded “That would be fine.” Commissioner Travis asked “How long?” Chairman Hall stated “How much are we going to schedule for the meeting is the question.” Commissioner Carter responded “Two hours.” Chairman Hall stated “Two hours is reasonable.”

Commissioner Carter asked “Can we request the Sheriff to be here that night?” Chairman Hall responded “We know that the Sheriff, the Register of Deeds and the Tax Director, two are elected and one reports to us, we can request them early and get them on the agenda.” Commissioner Carter asked “So we will hear from them that night?” Commissioner Lucas responded “We will do those three budgets first.” Chairman Hall responded “They do not have to be first but we can go ahead and request them and give them ample time. Is that okay?” Ms. Vaughn asked “What about the Board of Education?” Chairman Hall stated “And what about the Board of Education she said. We have not even talked about them. We will probably have another session if we limit it to two hours we will have to work them in.” Commissioner Carter stated “Since you mentioned that Chairman Hall have they requested any additional spending other than what they did last year?” Mr. Howard responded “They did not request any additional.” Commissioner Carter stated “So you put in what they requested last year.”

Commissioner Carter stated “You might be able to answer this. The last question I have is for the Sheriff’s Department is about those cars. They would be less three vehicles that they would be turning back over to the Town. The main question I had for the Sheriff so he could give us an answer next week is about the cars.”

(At 6:45 p.m. Commissioner Satterfield left the meeting).

Chairman Hall stated “We do not want to confuse the issues. Write these questions down and give them to him so he will know exactly what he is going to ask. I don’t want him tomorrow to be confused and forgot and say did they say that at the meeting. Let’s write them down.”

Commissioner Battle stated “So when we have this meeting on Thursday they are going to present us with a budget of things that we have talked about being put in and how we are supposed to pay for them without having a tax increase?” Chairman Hall responded “No, that is not correct. Based on the motion we are going to go through this line by line, answer questions that this Board gave to the county manager by Friday.” Commissioner Battle asked “So do we not see these other things that we wanted put into the budget? We are not going to see that now?” Chairman Hall responded “I am not saying we are not going to see it but I am just going by what the motion was. At some point we are going to have to make a decision and address them. We know what the dollars are.” Commissioner Battle stated “I did not make a motion to put them in there. I asked for a request to put them in there to see what they would look like. I did not say one way or another how it was to be shown but I thought it was the understanding that it would be shown.” Chairman Hall asked “How would you like to see it? In terms of the current budget add these dollars in to see how much revenue is needed.” Commissioner Battle

added "And how that revenue is generated. Yes that is what I want to see." Chairman Hall stated "We know for example capital requests, personnel, and the cost of living. All we have to do is add them up and put them on top of the budget that we have. Then the question is where do we get the money from. I can assure you that there are no dollars any where floating around in this building that is going to cover seven hundred and fifty to a million dollars. We can do that. We are straight now for Thursday, June 2nd. We are going to ask the Sheriff to be here is that correct? Do we want the Register of Deeds to be here?" Commissioner Carter responded "She did not have anything in her budget. I would not think so." Ms. Vaughn added "There was nothing in her budget other than the norm. There is nothing unusual in there." Chairman Hall stated "You said other than the norm." Ms. Vaughn responded "Salaries and a small amount on contract services." Chairman Hall stated "So it is basically the Sheriff. Now do we need the Tax Department here?" Mr. Howard responded "Yes, probably." Chairman Hall stated "Someone mentioned the Board of Education we need to hold off until we set another date for the Board."

Commissioner Carter asked "What about EMS?" Commissioner Travis responded "We can't do them all at one time. You only have two hours." Commissioner Carter stated "We can leave that one to the county manager to answer the questions."

Commissioner Lucas stated "Commissioner Satterfield brought it up about the travel line items. If we could get a breakdown on every department on specifically where the travel monies are planned to go and the dues and subscriptions. That is a line item that often times is not broken out for what they are actually for. Some are justified and then some of them are not. And small tools." Chairman Hall stated "Small tools and supplies." Commissioner Lucas responded "Well no I think that is a separate line item." Chairman Hall stated "No I am actually saying what it is. Small tools are a misnomer. I have been getting on Ms. Vaughn for this." Commissioner Lucas stated "Then take small tools out and put it in the supplies account." Ms. Vaughn responded "Supplies are a consumable item such as paper and pens. Small tool is like a calculator." Commissioner Lucas added "A computer, an adding machine that is how I understand it." Chairman Hall stated "Now that is not accounting. I will not argue with you. Ms. Gwen and I have had this conversation and a calculator is a consumable item. It is not worth anything. You do not capitalize it." Ms. Vaughn stated "Small tools are not capitalized." Chairman Hall responded "Right so why do you keep treating it differently accounting wise. It just does not make sense. It is not the norm for accounting."

Commissioner Carter stated "I have a question. I was writing down these figures when Gwen was first calling them out did you say on the close out we are going to have a surplus of three thirty-nine seven seventy-nine?" Ms. Vaughn responded "That is projected." Commissioner Carter stated "Projected. Something like this HVAC unit down here at the library, how come that cannot be spent out of this budget year instead of being spent next year?" Commissioner Battle responded "It is earmarked money." Commissioner Carter asked "Is all of it earmarked?" Mr. Howard responded "Yes." Commissioner Carter asked "How much is left in contingency?" Commissioner Lucas responded "Less than forty thousand." Mr. Howard responded "There is not a big enough gap in here for us to do that. For us to say we have enough in there this year there would be a thirty thousand dollar increase." Commissioner Carter asked "So you say we are not going to have enough money in this budget year to fix that air conditioning unit?" Chairman Hall stated "There might be enough but it is not in any particular line. So I think here

we don't need to get hung up on process, how we are going to do it. We need to make a decision as to whether or not we are going to replace the unit. That is the decision that needs to be made. If you are going to replace it then what resources do you have. The fund balance is one of the resources, take it out of there. To try to hurry up and spend it this year is not how you do good accounting." Commissioner Carter stated "Well I guess what you are saying is it is all going to go in the fund balance. What we need to do is take it out of fund balance." Chairman Hall responded "Exactly. But for the Board's position, again this is policy, we have to decide how we are going to budget to pay for all of these. It does not make sense to pick and chose one of them."

Commissioner Carter stated "Commissioner Hall I would like for the county manager to check on the air condition unit and a one percent cost of living raise if we took that out of fund balance how much it would bring it down as far as percentage wise." Chairman Hall responded "Well what Commissioner Battle asked was for us to include all of this on top of the budget. Then once we put it on top of the budget you will look at the source of revenues. Now you only have two. One is to increase the taxes and the other is to take it out of fund balance. This Board has already voted not to increase the taxes and you cannot change that. So you have eliminated one of your sources. So whatever you vote on going forward theoretically will come out of fund balance." Mr. Howard stated "There is another revenue source we don't use here that other counties use. That is business license fees. You have the authority to set this." Chairman Hall asked "How much money is in there?" Mr. Howard responded "There is nothing in there because it is not used here." Chairman Hall stated "Well you said we don't use it. It doesn't exist." Mr. Howard responded "No we do not require it now. What I am saying is you have the authority to set it." Chairman Hall responded "I understand but we can't spend it until we set and get how much it is going to generate."

Commissioner Carter stated "I have one other question. Solid waste fund. I know we have a surplus in that. Can we use anything out of that solid waste fund as far as these capital requests?" Chairman Hall responded "We already did, so the answer to that is yes. We borrowed some money out of that." Commissioner Travis stated "You have to pay it back. It is like going to the bank." Chairman Hall stated "Let's be truthful on our comments. This Board can use that fund, those dollars, for any general source that this Board decides itself whether it is going to pay it back or not. I would not recommend raiding it but let's put it on the table, any enterprise fund can be used. Any other questions?"

ADJOURNMENT

At 7:35 p.m. Commissioner Jefferies moved, seconded by Commissioner Travis to adjourn the meeting. The motion carried unanimously.

Paula P. Seamster
Clerk to the Board

Nathaniel Hall
Chairman
